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INSURANCE BUREAU
PRELICENSURE EDUCATION

R 500.1
Source: 1988 AACS.

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**ACTUARIAL OPINION AND MEMORANDUM
UNDER STANDARD VALUATION LAW**

R 500.881 Rescinded.
History: 1995 MR 6, Eff. July 6, 1995; rescinded 2006 MR 22, Eff. Dec. 1, 2006.

R 500.882 Rescinded.
History: 1995 MR 6, Eff. July 6, 1995; rescinded 2006 MR 22, Eff. Dec. 1, 2006.

R 500.883 Rescinded.
History: 1995 MR 6, Eff. July 6, 1995; rescinded 2006 MR 22, Eff. Dec. 1, 2006.

R 500.884 Rescinded.
History: 1995 MR 6, Eff. July 6, 1995; rescinded 2006 MR 22, Eff. Dec. 1, 2006.

R 500.885 Rescinded.
History: 1995 MR 6, Eff. July 6, 1995; rescinded 2006 MR 22, Eff. Dec. 1, 2006.

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R 500.886 Rescinded.

History: 1995 MR 6, Eff. July 6, 1995; rescinded 2006 MR 22, Eff. Dec. 1, 2006.

R 500.887 Rescinded.

History: 1995 MR 6, Eff. July 6, 1995; rescinded 2006 MR 22, Eff. Dec. 1, 2006.

R 500.888 Rescinded.

History: 1995 MR 6, Eff. July 6, 1995; rescinded 2006 MR 22, Eff. Dec. 1, 2006.

R 500.889 Rescinded.

History: 1995 MR 6, Eff. July 6, 1995; rescinded 2006 MR 22, Eff. Dec. 1, 2006.

R 500.991 Definitions.

Rule 1. As used in these rules:

- (a) "Actuarial opinion" means the opinion of an appointed actuary regarding the adequacy of the reserves and related actuarial items based on an asset adequacy analysis in accordance with R 500.995 and with applicable Actuarial Standards of Practice.
- (b) "Actuarial Standards Board" means the board established by the American Academy of Actuaries to develop and promulgate standards of actuarial practice.
- (c) "Annual statement" means that statement required by section 438 of 1956 PA 218, as amended, MCL 500.438, to be filed by the company with the Office of Financial and Insurance Services annually.
- (d) "Appointed actuary" means an individual who is appointed or retained under R 500.994(3) to provide the actuarial opinion and supporting memorandum as required by section 830a of 1956 PA 218, MCL 500.830a, of the Standard Valuation Law.
- (e) "Asset adequacy analysis" means an analysis that meets the standards and other requirements referred to in R 500.994(4).
- (f) "Commissioner" means the commissioner of the Office of Financial and Insurance Services.
- (g) "Company" means a life insurance company, fraternal benefit society or reinsurer subject to the provisions of this rule.
- (h) "Qualified actuary" means an individual who meets the requirements in R 500.994(2).

History: 2006 MR 22, Eff. Dec. 1, 2006.

R 500.992 Purpose.

Rule 2. The purpose of these rules is to prescribe the following:

- (a) Requirements for statements of actuarial opinion that are to be submitted in accordance with MCL 500.830a of the Standard Valuation Law, and for memoranda in support thereof.
- (b) Rules applicable to the appointment of an appointed actuary.
- (c) Guidance as to the meaning of "adequacy of reserves."

History: 2006 MR 22, Eff. Dec. 1, 2006.

R 500.993 Applicability.

Rule 3. (1) These rules shall apply to all life insurance companies and fraternal benefit societies doing business in this state and to all life insurance companies and fraternal benefit societies that are authorized to reinsure life insurance, annuities, or accident and health insurance business in this state. This rule shall be applied in a manner that allows the appointed actuary to utilize his or her professional judgment in performing the asset analysis and developing the actuarial opinion and supporting memoranda, consistent with relevant actuarial standards of practice. However, the commissioner shall have the authority to specify specific methods of actuarial analysis and actuarial assumptions when, in the commissioner's judgment, these specifications are necessary for an acceptable opinion to be rendered relative to the adequacy of reserves and related items.

(2) These rules shall be applicable to all annual statements filed with the office of the commissioner as specified in R 500.997. A statement of opinion on the adequacy of the reserves and related actuarial items based on an asset adequacy analysis under R 500.995, and a memorandum in support thereof under R 500.996 shall be required each year.

(3) These rules apply to all annual statements filed with the commissioner as specified in R 500.997, except with respect to companies that are exempted by a determination made by the commissioner. A company that intends to file for an exemption from asset adequacy analysis shall submit a letter of intent to the commissioner not later than December 1 of the calendar year for which the exemption is to be claimed. The commissioner may deny the exemption before December 31 of the same year if an exemption is deemed inappropriate.

History: 2006 MR 22, Eff. Dec. 1, 2006.

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R 500.994 General requirements.

Rule 4. (1) The following apply to the Statement of Actuarial Opinion:

(a) There is to be included on or attached to Page 1 of the annual statement for each year beginning with the year in which this rule becomes effective the statement of an appointed actuary, entitled "Statement of Actuarial Opinion," setting forth an opinion relating to reserves and related actuarial items held in support of policies and contracts under R 500.995.

(b) Upon written request by the company, the commissioner may grant an extension of the date for submission of the statement of actuarial opinion.

(2) A "qualified actuary" is an individual who meets the following:

(a) Is a member in good standing of the American Academy of Actuaries.

(b) Is qualified to sign statements of actuarial opinion for life and health insurance company annual statements in accordance with the American Academy of Actuaries qualification standards for actuaries signing such statements.

(c) Is familiar with the valuation requirements applicable to life and health insurance companies.

(d) Has not been found by the commissioner, or if found, has subsequently been reinstated as a qualified actuary, following appropriate notice and hearing, to have done the following:

(i) Violated any provision of, or any obligation imposed by, the insurance law or other law in the course of his or her dealings as a qualified actuary.

(ii) Been found guilty of fraudulent or dishonest practices.

(iii) Demonstrated his or her incompetence, lack of cooperation, or untrustworthiness to act as a qualified actuary.

(iv) Submitted to the commissioner during the past 5 years, under this rule, an actuarial opinion or memorandum that the commissioner rejected because it did not meet the provisions of this rule including standards set by the Actuarial Standards Board.

(v) Resigned or been removed as an actuary within the past five 5 years as a result of acts or omissions indicated in any adverse report on examination or as a result of failure to adhere to generally acceptable actuarial standards.

(e) Has notified the commissioner of any action taken by any commissioner of any other state similar to that described in subdivision (d) of this subrule.

(3) An "appointed actuary" is a qualified actuary who is appointed or retained to prepare the Statement of Actuarial Opinion required by this rule, either directly by or by the authority of the board of directors through an executive officer of the company other than the qualified actuary. The company shall give the commissioner timely written notice of the name, title, and, in the case of a consulting actuary, the name of the firm, and manner of appointment or retention of each person appointed or retained by the company as an appointed actuary and shall state in the notice that the person meets the requirements of R 500.994(2). Once notice is furnished, no further notice is required with respect to this person, provided that the company shall give the commissioner timely written notice in the event the actuary ceases to be appointed or retained as an appointed actuary or to meet the requirements of R 500.994(2). If any person appointed or retained as an appointed actuary replaces a previously appointed actuary, the notice shall so state and give the reasons for replacement.

(4) Standards for asset adequacy analysis include the following:

(a) Shall conform to the Standards of Practice as promulgated by the Actuarial Standards Board and on any additional standards under this rule, which standards are to form the basis of the statement of actuarial opinion in accordance with this rule.

(b) Shall be based on methods of analysis as are deemed appropriate for such purposes by the Actuarial Standards Board.

(5) The following liabilities shall be covered:

(a) Under authority of section 830a of the Standard Valuation Law, the statement of actuarial opinion shall apply to all in force business on the statement date, whether directly issued or assumed, regardless of when or where issued, such as reserves of exhibits 8, 9 and 10, and claim liabilities in exhibit 11, Part 1 and equivalent items in the separate account statement or statements.

(b) If the appointed actuary determines as the result of asset adequacy analysis that a reserve should be held in addition to the aggregate reserve held by the company and calculated in accordance with methods in the Standard Valuation Law, the company shall establish the additional reserve.

(c) Additional reserves established under subdivision (b) of this subrule and deemed not necessary in subsequent years may be released. Any amounts released shall be disclosed in the actuarial opinion for the applicable year. The release of such reserves shall not be deemed an adoption of a lower standard of valuation.

History: 2006 MR 22, Eff. Dec. 1, 2006.

R 500.995 Statement of actuarial opinion based on an asset adequacy analysis.

Rule 5. (1) The statement of actuarial opinion shall consist of the following:

(a) A paragraph identifying the appointed actuary and his or her qualifications under R 500.995(2)(a).

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(b) A scope paragraph identifying the subjects on which an opinion is to be expressed and describing the scope of the appointed actuary's work, including a tabulation delineating the reserves and related actuarial items that have been analyzed for asset adequacy and the method of analysis of R 500.995(2)(b), and identifying the reserves and related actuarial items covered by the opinion that have not been so analyzed.

(c) A reliance paragraph describing those areas, if any, where the appointed actuary has deferred to other experts in developing data, procedures or assumptions, such as anticipated cash flows from currently owned assets, including variation in cash flows according to economic scenarios of R 500.995(2)(c), supported by a statement of each such expert in the form prescribed by R 500.995(5).

(d) An opinion paragraph expressing the appointed actuary's opinion with respect to the adequacy of the supporting assets to mature the liabilities of R 500.995(2)(f).

(e) One or more additional paragraphs shall be needed in individual company cases as follows:

(i) If the appointed actuary considers it necessary to state a qualification of his or her opinion.

(ii) If the appointed actuary must disclose an inconsistency in the method of analysis or basis of asset allocation used at the prior opinion date with that used for this opinion.

(iii) If the appointed actuary must disclose whether additional reserves as of the prior opinion date are released as of this opinion date, and the extent of the release.

(iv) If the appointed actuary chooses to add a paragraph briefly describing the assumptions that form the basis for the actuarial opinion.

(2) The following paragraphs are to be included in the statement of actuarial opinion in accordance with this rule. Language is that which in typical circumstances should be included in a statement of actuarial opinion. The language may be modified as needed to meet the circumstances of a particular case, but the appointed actuary should use language that clearly expresses his or her professional judgment. The opinion shall retain all pertinent aspects of the language provided in this rule.

(a) The opening paragraph should generally indicate the appointed actuary's relationship to the company and his or her qualifications to sign the opinion. For a company actuary, the opening paragraph of the actuarial opinion should include a statement such as:

I, [name], am [title] of [insurance company name] and a member of the American Academy of Actuaries. I was appointed by, or by the "authority of, the Board of Directors of said insurer to render this opinion as stated in the letter to the commissioner dated [insert date]. I meet the Academy qualification standards for rendering the opinion and am familiar with the valuation requirements applicable to life and health insurance companies."

For a consulting actuary, the opening paragraph should include a statement such as:

"I, [name], a member of the American Academy of Actuaries, am associated with the firm of [name of consulting firm]. I have been appointed by, or by the authority of, the Board of Directors of [name of company] to render this opinion as stated in the letter to the commissioner dated [insert date]. I meet the Academy qualification standards for rendering the opinion and am familiar with the valuation requirements applicable to life and health insurance companies."

(b) The scope paragraph should include a statement such as:

"I have examined the actuarial assumptions and actuarial methods used in determining reserves and related actuarial items listed below, shown in the annual statement of the company, as prepared for filing with state regulatory officials, as of December 31, 20[]. Tabulated below are those reserves and related actuarial items which have been subjected to asset adequacy analysis.

Asset Adequacy Tested Amounts—Reserves and Liabilities					
Statement Item	Formula Reserves	Additional Actuarial Reserves (a)	Analysis Method (b)	Other Amount	Total Amount (1)+(2)+(3)
	(1)	(2)		(3)	(4)

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Exhibit 8					
A Life Insurance					
B Annuities					
C Supplementary Contracts Involving Life Contingencies					
D Accidental Death Benefit					
E Disability—Active					
F Disability—Disabled					
G Miscellaneous					
Total (Exhibit 8 Item 1, Page 3)					
Exhibit 9					
A Active Life Reserve					
B Claim Reserve					
Total (Exhibit 9 Item 2, Page 3)					
Exhibit 10					
Premium and Other Deposit Funds (Column 5, Line 14)					
Guaranteed Interest Contracts (Column 2, Line 14)					
Other (Column 6, Line 14)					
Supplemental Contracts and Annuities Certain (Column 3, Line 14)					
Dividend Accumulations or Refunds (Column 4, Line 14)					
Total Exhibit 10 (Column 1, Line 14)					

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Exhibit 11 Part 1					
1 Life (Page 3, Line 4.1)					
2 Health (Page 3, Line 4.2)					
Total Exhibit 11, Part 1					
Separate Accounts (Page 3 of the Annual Statement of the Separate Accounts, Lines 1, 2, 3.1, 3.2, 3.3)					
TOTAL RESERVES					

IMR (General Account, Page Line)	
(Separate Accounts, Page Line)	
AVR (Page Line)	(c)
Net Deferred and Uncollected Premium	

Table Notes:

- (a) The additional actuarial reserves are the reserves established under subparagraph (b) of R 500.994(5).
 (b) The appointed actuary should indicate the method of analysis determined in accordance with the standards of asset adequacy analysis referred to in R 500.994(4) of this regulation, by means of symbols that should be defined in footnotes to the table.
 (c) Allocated amount of Asset Valuation Reserve (AVR).

(c) If the appointed actuary has relied on other experts to develop certain portions of the analysis, the reliance paragraph should include a statement such as:

“I have relied on [name], [title] for [for example, “anticipated cash flows from currently owned assets, including variations in cash flows according to economic scenarios” or “certain critical aspects of the analysis performed in conjunction with forming my opinion”], as certified in the attached statement. I have reviewed the information relied upon for reasonableness.”

A statement of reliance on other experts should be accompanied by a statement by each of the experts in the form prescribed by R 500.995(5).

(d) If the appointed actuary has examined the underlying asset and liability records, the reliance paragraph should include a statement such as:

“My examination included such review of the actuarial assumptions and actuarial methods and of the underlying basic asset and liability records and such tests of the actuarial calculations as I considered necessary. I also reconciled the underlying basic asset and liability records to [exhibits and schedules listed as applicable] of the company’s current annual statement.”

(e) If the appointed actuary has not examined the underlying records, but has relied upon data, for example, listings and summaries of policies in force or asset records, prepared by the company, the reliance paragraph should include a statement such as:

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“In forming my opinion on [specify types of reserves] I relied upon data prepared by [name and title of company officer certifying in force records or other data] as certified in the attached statements. I evaluated that data for reasonableness and consistency. I also reconciled that data to [exhibits and schedules to be listed as applicable] of the company’s current annual statement. In other respects, my examination included review of the actuarial assumptions and actuarial methods used and tests of the calculations I considered necessary.”

The section shall be accompanied by a statement by each person relied upon in the form prescribed by R 500.995(5).

(f) The opinion paragraph should include a statement such as:

“In my opinion the reserves and related actuarial values concerning the statement items identified above:

- (i) Are computed in accordance with presently accepted actuarial standards consistently applied and are fairly stated, in accordance with sound actuarial principles.
- (ii) Are based on actuarial assumptions that produce reserves at least as great as those called for in any contract provision as to reserve basis and method, and are in accordance with all other contract provisions.
- (iii) Meet the requirements of the insurance law and rule of the state of [state of domicile]; and are at least as great as the minimum aggregate amounts required by the state in which this statement is filed.
- (iv) Are computed on the basis of assumptions consistent with those used in computing the corresponding items in the annual statement of the preceding year-end, with any exceptions noted below.
- (v) Include provision for all actuarial reserves and related statement items which ought to be established. The reserves and related items, when considered in light of the assets held by the company with respect to such reserves and related actuarial items including, but not limited to, the investment earnings on the assets, and the considerations anticipated to be received and retained under the policies and contracts, make adequate provision, according to presently accepted actuarial standards of practice, for the anticipated cash flows required by the contractual obligations and related expenses of the company. At the discretion of the commissioner, this language may be omitted for an opinion filed on behalf of a company doing business only in this state and in no other state.

The actuarial methods, considerations, and analyses used in forming my opinion conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board, which standards form the basis of this statement of opinion.

This opinion is updated annually as required by statute. To the best of my knowledge, there have been no material changes from the applicable date of the annual statement to the date of the rendering of this opinion which should be considered in reviewing this opinion.

or

The following material changes which occurred between the date of the statement for which this opinion is applicable and the date of this opinion should be considered in reviewing this opinion: Describe the change or changes.

Note: Choose one of the above two paragraphs, whichever is applicable.

The impact of unanticipated events subsequent to the date of this opinion is beyond the scope of this opinion. The analysis of asset adequacy portion of this opinion should be viewed recognizing that the company’s future experience may not follow all the assumptions used in the analysis.

Signature of Appointed Actuary

Address of Appointed Actuary

Telephone Number of Appointed Actuary

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Date”

(3) Assumptions for new issues. The adoption for new issues or new claims or other new liabilities of an actuarial assumption that differs from a corresponding assumption used for prior new issues or new claims or other new liabilities is not a change in actuarial assumptions within the meaning of R 500.995.

(4) Adverse opinions. If the appointed actuary is unable to form an opinion, then he or she shall refuse to issue a statement of actuarial opinion. If the appointed actuary's opinion is adverse or qualified, then he or she shall issue an adverse or qualified actuarial opinion explicitly stating the reasons for the opinion. This statement should follow the scope paragraph and precede the opinion paragraph.

(5) Reliance on information furnished by other persons. If the appointed actuary relies on the certification of others on matters concerning the accuracy or completeness of any data underlying the actuarial opinion, or the appropriateness of any other information used by the appointed actuary in forming the actuarial opinion, the actuarial opinion should so indicate the persons the actuary is relying upon and a precise identification of the items subject to reliance. In addition, the persons on whom the appointed actuary relies shall provide a certification that precisely identifies the items on which the person is providing information and a statement as to the accuracy, completeness, or reasonableness, as applicable, of the items. This certification shall include the signature, title, company, address, and telephone number of the person rendering the certification, as well as the date on which it is signed.

(6) The following shall apply to alternate options:

(a) The Standard Valuation Law gives the commissioner broad authority to accept the valuation of a foreign insurer when that valuation meets the requirements applicable to a company domiciled in this state in the aggregate. As an alternative to the requirements of R 500.995(2)(f)(iii), the commissioner may make 1 or more of the following additional approaches available to the opining actuary:

(i) A statement that the reserves “meet the requirements of the insurance laws and rules of the state of [state of domicile] and the formal written standards and conditions of this state for filing an opinion based on the law of the state of domicile.” If the commissioner chooses to allow this alternative, a formal written list of standards and conditions shall be made available. If a company chooses to use this alternative, the standards and conditions in effect on July 1 of a calendar year shall apply to statements for that calendar year, and they shall remain in effect until they are revised or revoked. If no list is available, this alternative is not available.

(ii) A statement that the reserves “meet the requirements of the insurance laws and rules of the state of [state of domicile] and I have verified that the company's request to file an opinion based on the law of the state of domicile has been approved and that any conditions required by the commissioner for approval of that request have been met.” If the commissioner chooses to allow this alternative, a formal written statement of such allowance shall be issued not later than March 31 of the year it is first effective. It shall remain valid until rescinded or modified by the commissioner. The rescission or modifications shall be issued not later than March 31 of the year they are first effective. Subsequent to that statement being issued, if a company chooses to use this alternative, the company shall file a request to do so, along with justification for its use, not later than April 30 of the year of the opinion to be filed. The request shall be deemed approved on October 1 of that year if the commissioner has not denied the request by that date.

(iii) A statement that the reserves “meet the requirements of the insurance laws and rules of the state of [state of domicile] and I have submitted the required comparison as specified by this state.” The following apply:

(A) If the commissioner chooses to allow this alternative, a formal written list of products, to be added to the table in Item (ii), for which the required comparison shall be provided, will be published. If a company chooses to use this alternative, the list in effect on July 1 of a calendar year shall apply to statements for that calendar year, and it shall remain in effect until it is revised or revoked. If no list is available, this alternative is not available.

(B) If a company desires to use this alternative, the appointed actuary shall provide a comparison of the gross nationwide reserves held to the gross nationwide reserves that would be held under NAIC codification standards, as specified in the NAIC Accounting Practices & Procedures Manual, as adopted annually in the Commissioner's Order issued under MCL 500.438. Gross nationwide reserves are the total reserves calculated for the total company in force business directly sold and assumed, indifferent to the state in which the risk resides, without reduction for reinsurance ceded. The information provided shall be at least the following:

(1) Product Type	(2) Death Benefit or	(3) Reserves Held	(4) Codification	(5) Codification
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	Account Value		Reserves	Standard

(C) The information listed shall include all products identified by either the state of filing or any other states subscribing to this alternative.

(D) If there is no codification standard for the type of product or risk in force or if the codification standard does not directly address the type of product or risk in force, the appointed actuary shall provide detailed disclosure of the specific method and assumptions used in determining the reserves held.

(E) The comparison provided by the company is to be kept confidential to the same extent and under the same conditions as the actuarial memorandum.

(b) Notwithstanding the above, the commissioner may reject an opinion based on the laws and rules of the state of domicile and require an opinion based on the laws of this state. If a company is unable to provide the opinion within 60 days of the request or such other period of time determined by the commissioner after consultation with the company, then the commissioner may contract an independent actuary at the company's expense to prepare and file the opinion.

History: 2006 MR 22, Eff. Dec. 1, 2006.

R 500.996 Description of actuarial memorandum including asset adequacy analysis and regulatory asset adequacy issues summary.

Rule 6.(1) All of the following apply:

(a) In accordance with Section 830a of the Standard Valuation Law, the appointed actuary shall prepare a memorandum to the company describing the analysis done in support of his or her opinion regarding the reserves. The memorandum shall be made available for examination by the commissioner upon his or her request but shall be returned to the company after examination and shall not be considered a record of the insurance department or subject to automatic filing with the commissioner.

(b) In preparing the memorandum, the appointed actuary may rely on, and include as a part of his or her own memorandum, memoranda prepared and signed by other actuaries who are qualified within the meaning of R 500.994(2) with respect to the areas covered in such memoranda, and so stated in their memoranda.

(c) If the commissioner requests a memorandum and no such memorandum exists or if the commissioner finds that the analysis described in the memorandum fails to meet the standards of the Actuarial Standards Board or the standards and requirements of this rule, the commissioner may designate a qualified actuary to review the opinion and prepare such supporting memorandum as is required for review. The reasonable and necessary expense of the independent review shall be paid by the company but shall be directed and controlled by the commissioner.

(d) The reviewing actuary shall have the same status as an examiner for purposes of obtaining data from the company and the work papers and documentation of the reviewing actuary shall be retained by the commissioner; provided, however, that any information provided by the company to the reviewing actuary and included in the work papers shall be considered as material provided by the company to the commissioner and shall be kept confidential to the same extent as is prescribed by law with respect to other material provided by the company to the commissioner pursuant to the statute governing this rule. The reviewing actuary shall not be an employee of a consulting firm involved with the preparation of any prior memorandum or opinion for the insurer pursuant to this rule for any 1 of the current year or the preceding 3 years.

(e) In accordance with Section 830a of the Standard Valuation Law, the appointed actuary shall prepare a regulatory asset adequacy issues summary, the contents of which are specified in R 500.996(3). The regulatory asset adequacy issues summary shall be submitted not later than March 15 of the year following the year for which a statement of actuarial opinion based on asset adequacy is required. The regulatory asset adequacy issues summary shall be confidential to the same extent and under the same conditions as the actuarial memorandum.

(2) Details of the memorandum section documenting asset adequacy analysis. When an actuarial opinion is provided, the memorandum shall demonstrate that the analysis has been done in accordance with the standards for asset adequacy referred to in R 500.994(4) and any additional standards under this rule. It shall specify the following:

(a) For reserves:

(i) Product descriptions including market description, underwriting, and other aspects of a risk profile and the specific risks the appointed actuary deems significant.

(ii) Source of liability in force.

(iii) Reserve method and basis.

(iv) Investment reserves.

(v) Reinsurance arrangements.

(vi) Identification of any explicit or implied guarantees made by the general account in support of benefits provided through a

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separate account or under a separate account policy or contract and the methods used by the appointed actuary to provide for the guarantees in the asset adequacy analysis.

(vii) Documentation of assumptions to test reserves for the following:

- (A) Lapse rates, both base and excess.
- (B) Interest crediting rate strategy.
- (C) Mortality.
- (D) Policyholder dividend strategy.
- (E) Competitor or market interest rate.
- (F) Annuitization rates.
- (G) Commissions and expenses.

(H) Morbidity. The documentation of the assumptions shall be such that an actuary reviewing the actuarial memorandum could form a conclusion as to the reasonableness of the assumptions.

(b) The following apply to assets:

- (i) Portfolio descriptions, including a risk profile disclosing the quality, distribution, and types of assets.
- (ii) Investment and disinvestment assumptions.
- (iii) Source of asset data.
- (iv) Asset valuation bases.

(v) Documentation of assumptions made for the following:

- (A) Default costs.
- (B) Bond call function.
- (C) Mortgage prepayment function.
- (D) Determining market value for assets sold due to disinvestment strategy.
- (E) Determining yield on assets acquired through the investment strategy.

(c) For the analysis basis, the documentation of the assumptions shall be such that an actuary reviewing the actuarial memorandum could form a conclusion as to the reasonableness of the assumptions. The following apply:

- (i) Methodology.
- (ii) Rationale for inclusion or exclusion of different blocks of business and how pertinent risks were analyzed.
- (iii) Rationale for degree of rigor in analyzing different blocks of business, include in the rationale the level of “materiality” that was used in determining how rigorously to analyze different blocks of business.
- (iv) Criteria for determining asset adequacy, include in the criteria the precise basis for determining if assets are adequate to cover reserves under “moderately adverse conditions” or other conditions as specified in relevant actuarial standards of practice.

(v) Whether the impact of federal income taxes was considered and the method of treating reinsurance in the asset adequacy analysis.

(d) Summary of material changes in methods, procedures, or assumptions from prior year’s asset adequacy analysis.

(e) Summary of results.

(f) Conclusions.

(3) (a) The regulatory asset adequacy issues summary shall include the following:

(i) Descriptions of the scenarios tested, including whether those scenarios are stochastic or deterministic, and the sensitivity testing done relative to those scenarios. If negative ending surplus results under certain tests in the aggregate, the actuary should describe those tests and the amount of additional reserve as of the valuation date which, if held, would eliminate the negative aggregate surplus values. Ending surplus values shall be determined by either extending the projection period until the in force and associated assets and liabilities at the end of the projection period are immaterial or by adjusting the surplus amount at the end of the projection period by an amount that appropriately estimates the value that can reasonably be expected to arise from the assets and liabilities remaining in force.

(ii) The extent to which the appointed actuary uses assumptions in the asset adequacy analysis that are materially different than the assumptions used in the previous asset adequacy analysis.

(iii) The amount of reserves and the identity of the product lines that had been subjected to asset adequacy analysis in the prior opinion but were not subject to analysis for the current opinion.

(iv) Comments on any interim results that may be of significant concern to the appointed actuary.

(v) The methods used by the actuary to recognize the impact of reinsurance on the company’s cash flows, including both assets and liabilities, under each of the scenarios tested.

(vi) Whether the actuary has been satisfied that all options whether explicit or embedded, in any asset or liability, including but not limited to those affecting cash flows embedded in fixed income securities, and equity-like features in any investments have been appropriately considered in the asset adequacy analysis.

(b) The regulatory asset adequacy issues summary shall contain the name of the company for which the regulatory asset

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adequacy issues summary is being supplied and shall be signed and dated by the appointed actuary rendering the actuarial opinion.

(4) Conformity to Standards of Practice. The memorandum shall include a statement:

“Actuarial methods, considerations, and analyses used in the preparation of this memorandum conform to the appropriate Standards of Practice as promulgated by the Actuarial Standards Board, which standards form the basis for this memorandum.”

(5) Use of assets supporting the interest maintenance reserve and the asset valuation reserve. An appropriate allocation of assets in the amount of the interest maintenance reserve (IMR), whether positive or negative, shall be used in any asset adequacy analysis. Analysis of risks regarding asset default may include an appropriate allocation of assets supporting the asset valuation reserve (AVR); these AVR assets may not be applied for any other risks with respect to reserve adequacy. Analysis of these and other risks may include assets supporting other mandatory or voluntary reserves available to the extent not used for risk analysis and reserve support. The amount of the assets used for the AVR shall be disclosed in the table of reserves and liabilities of the opinion and in the memorandum. The method used for selecting particular assets or allocated portions of assets shall be disclosed in the memorandum.

(6) The appointed actuary shall retain on file, for at least 7 years, sufficient documentation so that it will be possible to determine the procedures followed, the analyses performed, the bases for assumptions, and the results obtained.

History: 2006 MR 22, Eff. Dec. 1, 2006.

R 500.997 Effective date.

Rule 7. These rules shall take effect for annual statements beginning with the year 2006.

History: 2006 MR 22, Eff. Dec. 1, 2006.

DECLARATORY RULINGS

R 500.1041

Source: 1985 AACS.

R 500.1042

Source: 1985 AACS.

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Source: 1985 AACS.

UNIFORM TRADE PRACTICES - INDEPENDENT HEARING OFFICER

R 500.1051

Source: 1983 AACS.

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Source: 1983 AACS.

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R 500.1121

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R 500.1202
Source: 1980 AACS.

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R 500.1232
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MORTALITY TABLE FOR INDIVIDUAL ANNUITY VALUATION

R 500.1241
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R 500.1291
Source: 1984 AACS.

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**DEPARTMENTS OF TREASURY, TRANSPORTATION, NATURAL RESOURCES, AND COMMUNITY
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R 560.415
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R 560.416
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R 560.417
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R 560.425
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R 560.426
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R 560.427
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R 560.428
Source: 2001 AACS.

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**COMMUNITY PUBLIC HEALTH AGENCY
CRIPPLED CHILDREN COMMISSION
PROCEDURE FOR CONDUCTING HEARINGS**

R 722.1
Source: 1997 AACS.

R 722.2
Source: 1997 AACS.

R 722.3
Source: 1997 AACS.

R 722.4
Source: 1997 AACS.

R 722.5
Source: 1997 AACS.

R 722.6
Source: 1997 AACS.

R 722.7
Source: 1997 AACS.

R 722.8
Source: 1997 AACS.

HOSPITAL AND MEDICAL TREATMENT FOR CRIPPLED AND AFFLICTED CHILDREN

R 722.101- R 722.191
Source: 1997 AACS.

R 722.201- R 722.565
Source: 1997 AACS.

**DIVISION OF SERVICES TO CRIPPLED CHILDREN
HOSPITAL AND MEDICAL TREATMENT FOR CRIPPLED CHILDREN**

PART 1. GENERAL PROVISIONS

R 722.601
Source: 1997 AACS.

R 722.603
Source: 1997 AACS.

R 722.619
Source: 1997 AACS.

PART 2. AUTHORIZATION OF CARE AND TREATMENT

R 722.621

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Source: 1997 AACS.

R 722.622

Source: 1997 AACS.

R 722.623

Source: 1997 AACS.

R 722.624

Source: 1997 AACS.

R 722.625

Source: 1997 AACS.

R 722.626

Source: 1997 AACS.

R 722.627

Source: 1997 AACS.

R 722.628

Source: 1997 AACS.

R 722.629

Source: 1997 AACS.

PART 3. HOSPITAL CARE AND TREATMENT

R 722.631

Source: 1997 AACS.

R 722.632

Source: 1997 AACS.

R 722.633

Source: 1997 AACS.

R 722.634

Source: 1997 AACS.

R 722.635

Source: 1997 AACS.

R 722.636

Source: 1997 AACS.

R 722.637

Source: 1997 AACS.

R 722.638

Source: 1997 AACS.

PART 4. MEDICAL CARE AND TREATMENT

R 722.641

Source: 1997 AACS.

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R 722.642
Source: 1997 AACS.

FAMILY INDEPENDENCE AGENCY
STATE CHILD ABUSE AND NEGLECT PREVENTION BOARD
CHILDREN'S TRUST FUND GRANT PROGRAM

R 722.751
Source: 1986 AACS.

R 722.752
Source: 1986 AACS.

R 722.753
Source: 1986 AACS.

R 722.754
Source: 1986 AACS.

R 722.755
Source: 1986 AACS.

R 722.756
Source: 1986 AACS.

DEPARTMENT OF CORRECTIONS
BUREAU OF CORRECTIONAL FACILITIES
COUNTY JAILS

R 791.1- R 791.15
Source: 1997 AACS.

COUNTY JAILS

R 791.21- R 791.33
Source: 1997 AACS.

JAILS AND LOCKUPS

R 791.101- R 791.113
Source: 1997 AACS.

PAROLE BOARD
PAROLES, PARDONS, REPRIEVES, AND COMMUTATION OF SENTENCES

R 791.301- R 791.351
Source: 1997 AACS.

JAILS, LOCKUPS, AND SECURITY CAMPS

PART 1. GENERAL PROVISIONS

R 791.501
Source: 1998-2000 AACS.

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R 791.502
Source: 1998-2000 AACS.

R 791.503
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R 791.504
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R 791.511
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R 791.519
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R 791.531
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R 791.541
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R 791.543
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- R 791.544**
Source: 1998-2000 AACS.
- R 791.545**
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- R 791.546**
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- R 791.551**
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Source: 1998-2000 AACS.

DEPARTMENT OF CORRECTIONS
BUREAU OF CORRECTIONAL FACILITIES
JAILS, LOCKUPS, AND SECURITY CAMPS

- R 791.701**
Source: 1998-2000 AACS.
- R 791.702**
Source: 1998-2000 AACS.
- R 791.703**
Source: 1998-2000 AACS.
- R 791.704**
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- R 791.705**
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R 791.707
Source: 1998-2000 AACS.

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R 791.718
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Source: 1998-2000 AACS.

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Source: 1998-2000 AACS.

R 791.737

Source: 1998-2000 AACS.

R 791.738

Source: 1998-2000 AACS.

R 791.739

Source: 1998-2000 AACS.

DEPARTMENT OF CORRECTIONS

GENERAL RULES

PART 1. GENERAL PROVISIONS

R 791.1101

Source: 2002 AACS.

R 791.1105

Source: 1997 AACS.

R 791.1115

Source: 1989 AACS.

PART 2. ORGANIZATION AND OPERATION OF DEPARTMENT

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R 791.2201
Source: 1997 AACS.

R 791.2205
Source: 1993 AACS.

R 791.2210
Source: 1989 AACS.

R 791.2215
Source: 1997 AACS.

R 791.2220
Source: 1993 AACS.

R 791.2225
Source: 1997 AACS.

R 791.2230
Source: 1997 AACS.

R 791.2235
Source: 1997 AACS.

R 791.2240
Source: 1997 AACS.

R 791.2245
Source: 1997 AACS.

PART 3. PRISONER HEARING PROCEDURES

R 791.3301
Source: 2002 AACS.

R 791.3310
Source: 2002 AACS.

R 791.3315
Source: 1987 AACS.

R 791.3320
Source: 2002 AACS.

R 791.3325
Source: 1997 AACS.

PART 4. PRISONER CLASSIFICATION AND TRANSFER

R 791.4401
Source: 2002 AACS.

R 791.4405
Source: 1997 AACS.

R 791.4410
Source: 2003 AACS.

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R 791.4415
Source: 2002 AACS.

R 791.4420
Source: 1993 AACS.

R 791.4425
Source: 1993 AACS.

R 791.4430
Source: 1997 AACS.

R 791.4435
Source: 1997 AACS.

R 791.4440
Source: 1997 AACS.

PART 5. PRISONER MISCONDUCT

R 791.5501
Source: 2002 AACS.

R 791.5505
Source: 2002 AACS.

R 791.5510
Source: 2002 AACS.

R 791.5513
Source: 1998-2000 AACS.

R 791.5515
Source: 1998-2000 AACS.

PART 6. PRISONER RIGHTS AND PRIVILEGES

R 791.6601
Source: 1997 AACS.

EMERGENCY RULES

FINDING OF EMERGENCY

R 791.6603
Source: 2002 AACS.

R 791.6605
Source: 1998-2000 AACS.

R 791.6607
Source: 1995 AACS.

R 791.6609
Source: 1995 AACS.

R 791.6611
Source: 1995 AACS.

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R 791.6613
Source: 1997 AACS.

R 791.6614
Source: 1995 AACS.

R 791.6615
Source: 1997 AACS.

R 791.6617
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R 791.6619
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Source: 1993 AACS.

R 791.6641
Source: 1997 AACS.

R 791.6643
Source: 1997 AACS.

R 791.6645
Source: 1997 AACS.

PART 7. PAROLE, REPRIEVE, AND COMMUTATION OF SENTENCE

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R 791.7701
Source: 1997 AACS.

R 791.7705
Source: 1997 AACS.

R 791.7710
Source: 1997 AACS.

R 791.7715
Source: 1996 AACS.

R 791.7716
Source: 1996 AACS.

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Source: 1996 AACS.

R 791.7735
Source: 1988 AACS.

R 791.7740
Source: 1988 AACS.

R 791.7745
Source: 1988 AACS.

R 791.7750
Source: 1988 AACS.

R 791.7755
Source: 1997 AACS.

R 791.7760
Source: 1996 AACS.

R 791.7765
Source: 1996 AACS.

R 791.7770
Source: 1997 AACS.

PART 8. YOUTHFUL TRAINEES

R 791.8801
Source: 1997 AACS.

R 791.8810
Source: 1997 AACS.

R 791.8820
Source: 1997 AACS.

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PART 9. PROBATION

R 791.9910

Source: 1993 AACS.

R 791.9930

Source: 1993 AACS.

PART 10. INTERSTATE COMPACT ON PAROLE AND PROBATION

R 791.10001

Source: 1997 AACS.